

Hospital outpatient departments (HOPDs) – such as hospital-owned clinics that provide complex cancer, pediatric and mental health services – should be paid higher reimbursement rates than a stand-alone physician office, for several reasons.

## More Complex Cases

Hospital outpatient departments **care for sicker and more complex patients than other outpatient care settings** like an independent physician office or an ambulatory surgical center.

For example, relative to Medicare beneficiaries seen in physician offices, those seen in HOPDs are:



- 73% more likely to be dually eligible for Medicare and Medicaid;
- 52% more likely to be enrolled in Medicare through disability or end-stage renal disease (ESRD);
- 31% more likely to be non-white;
- 62% more likely to be under age 65 and, therefore, eligible for Medicare based on disability;
- ESRD or amyotrophic lateral sclerosis; and
- 11% more likely to be over 85 years old.



## Greater Licensing and Regulatory Burden

Given their unique role, hospitals are held to higher standards than ambulatory surgery centers and physician offices.

Regulatory Requirements/Roles	Hospital Outpatient Department	Ambulatory Surgery Center	Physician Office
24/7 Standby Capacity for ED Services	✓		
Backup for Complications Occurring in Other Settings	✓		
EMTALA	✓		
Uncompensated Care/Safety Net	✓		
Teaching/Graduate Medical Education	✓		
Special Capabilities (burn, trauma, neonatal, psychiatric services, etc.)	✓		
Required Government Cost Reports	✓		
Equipment Redundancy Requirements	✓		
Disaster Preparedness and Response	✓	✓	
Annual Hazard Vulnerability Analysis	✓	✓	
Stringent Ventilation Requirements and Infection Control Codes	✓	✓	
Fire and Life Safety Codes (NFPA 101)	✓	✓	
Essential Electrical System (NFPA 99)	✓	✓	
Evacuation, Relocation and Quarterly Fire Drills	✓	✓	
Infection Control Program	✓	✓	
Quality Assurance Program	✓	✓	
Joint Commission Accreditation	✓	✓	



None of these are specifically funded. Instead, hospitals must cover the costs of complying with these requirements through their direct patient care revenue.

<sup>1</sup> Based on an analysis of the limited data sample of 2021 Medicare claims data conducted by KNG Health Consulting LLC, 2023

## Low Medicare, Medicaid Reimbursements

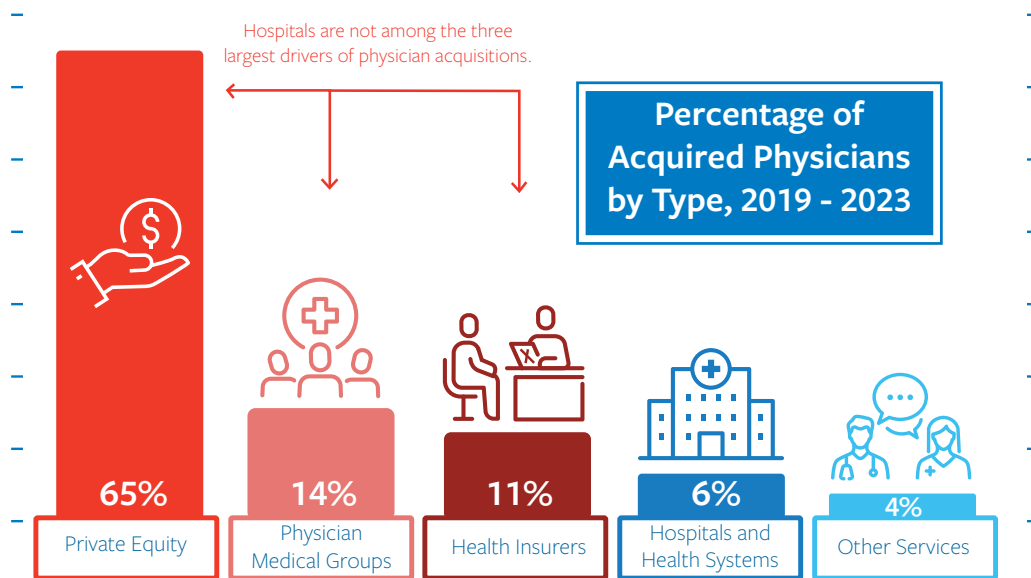
**Medicare fails to pay its fair share of costs of care.** Medicare reimburses hospitals only 82 cents for every dollar hospitals spend providing care to Medicare beneficiaries.<sup>2</sup> Hospitals continue to struggle with crushing workforce costs and shortages, broken supply chains and historic inflation – all increasing the cost to care for patients. Additional cuts will only worsen these problems and further erode hospitals’ ability to respond to emergencies, threatening access to care for everyone.



## Insurers, PE Driving Physician Acquisition

**Health insurers and private equity, not hospitals, are responsible for most of the acquisition of physicians** during the last five years.<sup>3</sup>

In deals where health insurers acquire physician practices, the average number of acquired physicians per deal was more than 10 times higher for health insurers than for any other acquirer type, including hospitals and health systems, according to an American Hospital Association **analysis** of data from Levin Associates.



## Impact Analysis of Cost-Neutral Proposal



**Proposal to Implement Site-Neutral in All Hospital Outpatient Departments:** The impact of site-neutral cuts for care provided in hospital outpatient departments can be determined by examining Medicare impacts. If paid the same as a physician for these services, the cuts to Texas hospitals would equal \$9.1 billion over 10 years.

- Nationwide cut: \$180.6 billion (10-year)
- **Texas: \$9.1 billion (10-year)**

<sup>2</sup> <https://www.aha.org/system/files/media/file/2022/02/medicare-medicaid-underpayment-fact-sheet-current.pdf>

<sup>3</sup> AHA analysis of LevinPro HG, Levin Associates, 2023, June, levinassociates.com,

<https://www.aha.org/system/files/media/file/2023/06/Private-Equity-and-Health-Insurers-Acquire-More-Physicians-than-Hospitals-Infographic.pdf>

Visit [www.tha.org](http://www.tha.org) for additional information  1108 Lavaca, Austin TX, 78701-2180